

Purchases from Out-of-State Vendors

Sales and Use TAX FACTS

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For additional information you may wish to order the regulations or publications listed on the reverse or talk to a Board of Equalization representative. For assistance, please call 800-400-7115 TDD/TTY 800-735-2929. Internet: www.boe.ca.gov

If you are a California resident or business and you purchase merchandise from a vendor located in another state, you may owe California *use tax* on your purchase. The use tax is intended to protect California merchants who otherwise would be at a competitive disadvantage when out-of-state sellers make sales to California customers without charging tax. The use tax rate in a California location is generally the same as the sales tax rate.

This fact sheet describes the basic California use tax rules that apply to purchases from out-of-state businesses. Special rules apply to purchases of vehicles, boats, and aircraft from private parties and to items you hand-carry into the US after traveling in other countries. For information, please see the publications list on the reverse or contact our Consumer Use Tax Section at 916-445-9524. Special rules also apply to purchases by insurance companies and purchases of new heavy trucks or trailers from out-of-state dealers. For more information, please call our Information Center.

When do I owe use tax on purchases from out-of-state vendors?

You generally owe California use tax when you *use, store, or consume* — in California — a physical product you purchase from an out-of-state vendor. If the vendor does not collect the tax on your purchase you must pay the tax directly to us (see reverse). Please note that giving away an item is generally considered use.

Some purchases from out-of-state vendors, however, may not be subject to use tax. The most common use tax exemptions and exclusions apply when

- You buy the item in a transaction that would be exempt or excluded from sales tax if it occurred in California. Examples include purchases of cold food products and purchases for resale.
- You first use the item outside California and the item remains outside the state for more than 90 days after purchase. Shipping time and related storage time do not count toward the 90 days.
- You (1) first use the item outside California, (2) bring it into the state within 90 days of purchase, *and then* (3) use the item outside the state for at least half the time during the next six months.
- You do not use the item in California but instead ship it to a location outside the state for exclusive use there. This is true whether you ship the item by itself or first incorporate it into another product.

If you're not sure whether you owe tax, call our Information Center for help.

Examples — applying use tax to purchases from out-of-state businesses

Registered seller owes use tax and must pay tax to us. Your California custom furniture shop buys a \$4,500 table saw from an Arizona mail-order

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company which does not charge you California tax. You use the saw in your shop to make furniture. You must pay use tax on the saw's \$4,500 purchase price (see below).

Registered seller does not owe use tax. After buying your new table saw, you buy \$1,200 worth of lumber from a Pennsylvania mill. You will use the lumber only in making furniture to sell. Since you will resell the lumber as part of the furniture, your purchase is not taxable.

Member of general public owes use tax. You live in Modesto and buy a backpacking tent over the Internet from a company in Wyoming. The seller ships the tent to your home and does not charge you California tax. You owe use tax as soon as you use or store the tent in California.

If the vendor charges California tax, does that take care of my tax liability?

It may. If an out-of-state vendor charges you California tax, you should be sure to obtain a receipt. The receipt must describe the item and show the purchase amount, the tax amount, the vendor's name, address, and California seller's permit number (or use tax registration number), and your name and address. Be sure to check the tax rate applied to your purchase. While out-of-state vendors often apply tax at the statewide rate (currently 7.25 percent), you are liable for use tax at the full rate in effect at the California location where you will first use the merchandise. When that location is within a special tax district, the full tax rate in effect for the district applies (statewide tax rate + district tax rate). If the vendor charged you tax at a rate lower than the rate in effect for your location, you owe the remaining use tax to us.

How do I pay the use tax?

If you hold a seller's permit, you must pay the use tax with your sales and use tax return. Report the amount of your purchase under "Purchases subject to use tax," on the return for the period that includes the date when you first used, stored, or consumed the item in California. If you do not have a seller's permit, report the purchase on your California income tax return or on the use tax return in publication 79B, *California Use Tax*. If you make frequent taxable purchases from out-of-state vendors, you may wish to register with us and obtain a Consumer Use Tax Permit. Our Information Center staff can help with your application.

Can I get credit for paying another state's tax on my purchase?

If you were required to pay, and did pay, another state's tax on your purchase, you may be able to take a credit against the California use tax due. For information, please see your tax return instructions.

Related resources

Regulations

- 1684 Collection of Use Tax by Retailers
- 1685 Payment of Use Tax by Purchasers
- 1686 Receipts for Tax Paid to Retailers
- 1823 Application of Transactions (Sales) Tax and Use Tax
- 1827 Collection of Use Tax by Retailers
(for special district taxes)

Publications and forms (BOE-)

- 39 Purchases You Make in Foreign Countries May Be Subject to Use Tax
- 52 Vehicles and Vessels: How to Request a Use Tax Clearance for DMV Registration
- 79 Documented Vessels and California Tax
- 79A Aircraft and California Tax
- 79B California Use Tax

Note: The statements in this fact sheet are general and are current as of January 2005. The sales and use tax law and regulations are complex and subject to change. If there is a conflict between this publication and the law or regulations, decisions will be based on the law and regulations.